



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Receive Electric Utility, Wastewater and Water 2nd Quarter Fiscal 07 Financial Reports

MEETING DATE: March 21, 2007

PREPARED BY: Electric Utility Director/Deputy City Manager

RECOMMENDED ACTION: Receive Electric Utility, Wastewater and Water Second Quarter Fiscal 07 Financial Reports.

BACKGROUND INFORMATION: In accordance with the Lodi Municipal Code, quarterly financial reports are to be prepared for the Electric Utility, Wastewater and Water operations. Highlights of the operations for all three utility operations will be conveyed in a power point presentation to be made on March 21, 2007.

Electric Utility

The attached PowerPoint report summarizes results for the 2nd quarter of Fiscal Year 07. A summary of the Electric Utility's financial performance for this reporting period is as follows:

- EUD had an excellent 1st half of FY07
- Power costs declined ~\$760K
- Non-power costs decreased ~\$1.1 million
- Revenues up about \$500K
- NCPA "GOR" up \$845K
- Overall increase in cash is about \$1.6M
- Average rates about 10% below PG&E
- FY07 power costs remain substantially hedged

Wastewater

The attached PowerPoint report summarizes results for the 2nd quarter of Fiscal Year 07

- Cash balance is \$3.7 million
- Revenues are on target at 50.4 % of the annual budget
- Operating expenses are under target at 38.2 % of annual budget

Water

The attached PowerPoint report summarizes results for the 2nd quarter of Fiscal Year 07

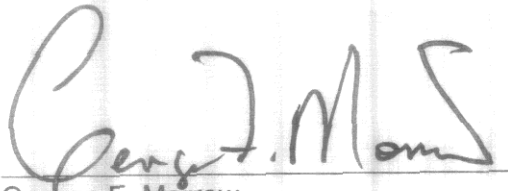
- Cash balance is \$.8 million
- Revenues are on target at 48.9% of the annual budget
- Operating expenses are under target at 41.7% of annual budget.

APPROVED: _____

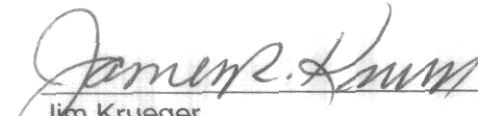
Blair King, City Manager

FISCAL IMPACT: None at this time.

FUNDING: Not Applicable.

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George F. Morrow
Electric Utility Director

A handwritten signature in black ink, appearing to read "James R. Krueger". The signature is cursive and somewhat stylized, with the last name "Krueger" being the most prominent.

Jim Krueger
Deputy City Manager

Attachments



Electric Utility Department

FY07 Quarterly Update

(Through December 31, 2006)

City Council Meeting
March 21, 2007



Summary

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Q2 Financial Results

Cash Flow			
	Ending December 31, 2006		
Revenue	Projections	Actuals	Difference
Total Revenues	36,176,698	36,767,492	590,794
Expenses			
Purchase Power	24,018,933	23,250,096	768,837
Non Power	5,938,141	4,831,823	1,106,318
Total Expenses	29,957,074	28,081,919	1,875,155
Net Revenue for Debt Service	6,219,624	8,685,573	2,465,949
Debt Service	-	-	-
Net Revenue	6,219,624	8,685,573	2,465,949
In-lieu Transfer to General Fund	3,389,500	3,389,500	-
Other changes in working capital	4,479,479	4,479,479	-
Net Increase (Decrease) in Working Capital	(1,649,355)	816,594	2,465,949
Beginning Cash Balance	3,631,402	3,631,402	
Changes in GOR	845,702	845,702	
Ending Cash Balance	2,827,749	5,293,698	2,465,949



Electric Expenses by Series

	FY07 Budget	FY07 Q2	% of Budget
Personnel	\$ 6,162,788	\$ 2,598,618	42.2%
Supplies, Materials, Services	\$ 1,347,619	\$ 480,515	35.7%
Equipment, Land, Structures	\$ 905,041	\$ 131,938	14.6%
Other Payments	\$ 479,100	\$ 128,458	26.8%
Communication & Transportation	\$ 81,683	\$ 43,214	52.9%
Total Operating Expenses	\$ 8,976,231	\$ 3,382,743	37.69%

Note: Includes Capital Expenditures



Q2 Power Supply

	Estimated	Actual	Change in \$\$	Change
Generation	\$21,029,257	\$22,091,535	\$ 1,062,278	5.1%
Transmission	\$ 2,694,791	\$ 2,832,943	\$ 138,152	5.1%
Management Services	\$ 1,066,836	\$ 1,069,859	\$ 3,023	0.3%
Third Party Revenue	\$ 771,951	\$ 2,744,251	\$ 1,972,300	255.5%
TOTAL	\$24,018,933	\$23,250,086	\$ (768,847)	-3.2%



NCPA “GOR”

- **General Operating Reserve**
- **Provides funding for contingencies**
- **GOR levels**
 - \$3,113,432 (June 30, 2006)
 - \$3,959,134 (December 31, 2006)

\$845,702 Increase



Q2 Sales

	YTD Projections	YTD Actuals	% Difference
kWh	255,831,419	244,418,685	-4.5%
Revenue	\$ 35,672,416	\$ 36,567,286	2.5%

Month	Year	HDD	Normal	CDD	Normal
July	2006	0	0	650	504
August	2006	0	0	449	430
September	2006	3	13	288	263
October	2006	96	76	9	73
November	2006	316	348	2	-
December	2006	530	609	-	-
Q2 Total		945	1,046	1,398	1,270



FY07 “Open Position”

2007	Deficit (MWH)	Load (MWH)	Cost to Fill
APRIL	(4,827)	35,948	\$ (274,640)
MAY	(4,396)	38,643	\$ (247,026)
JUNE	(3,379)	42,618	\$ (171,747)
Net Total	(12,602)	117,209	\$ (693,413)

Note: 12,602 MWH equals an annualized open position of ~2.6%.

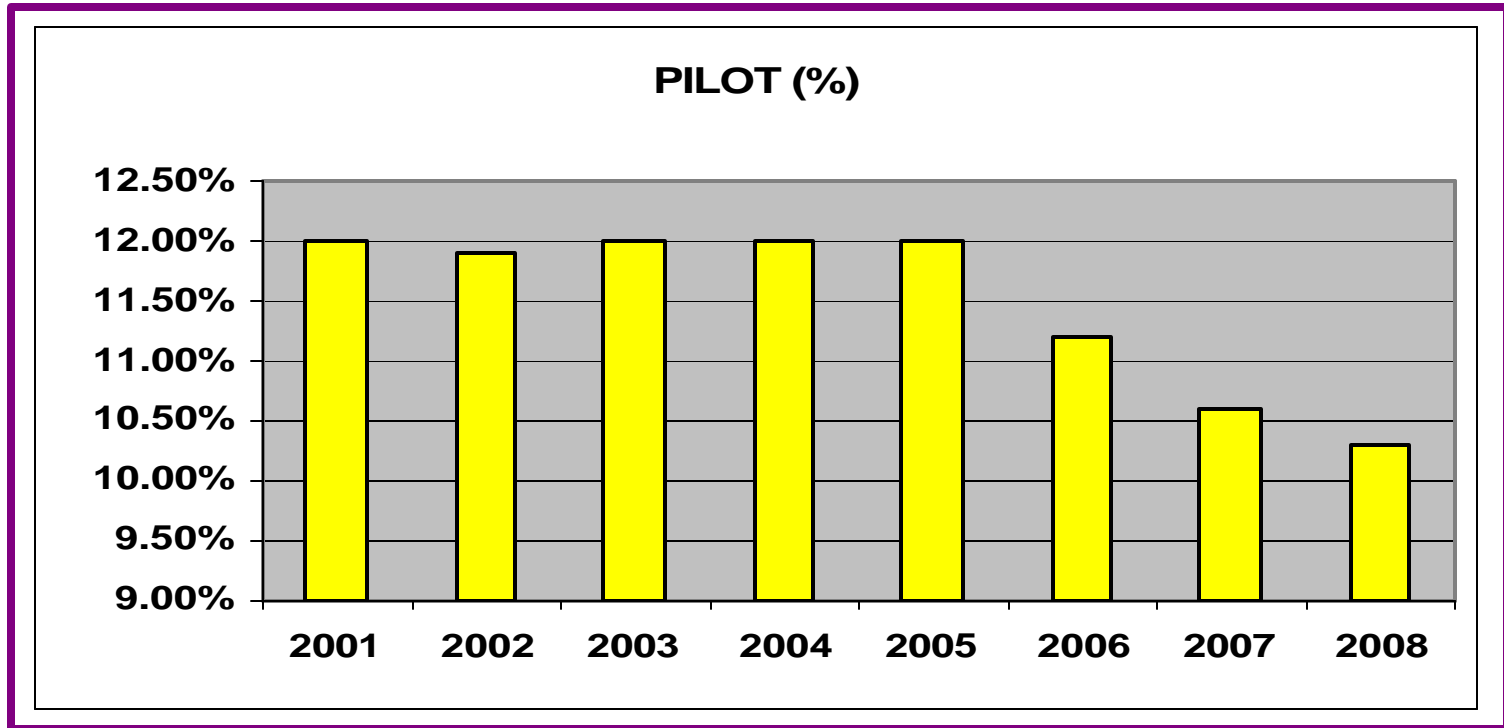


PILOT Reduction

- Past City policy provided that the utility may transfer up to 12% of electric revenues to the General Fund as Payment in Lieu of Taxes (PILOT)
- City Council approved a new policy on 2/7/07 limiting increases in the PILOT to changes in number customers
- FY07 PILOT was budgeted as 10.6% of revenue. This % declines going forward since customer growth lags revenue growth.



PILOT History





FY07 Financials

	FY07 Budget	YTD 12/31/06	YE FY07 Projection
Revenue			
Total Revenues	66,499,744	36,767,492	66,670,082
Expenses			
Purchase Power	42,544,974	23,250,096	42,613,780
Non Power	11,201,370	4,831,823	10,216,805
Total Expenses	53,746,344	28,081,919	52,830,585
Net Revenue for Debt Service	12,753,400	8,685,573	13,839,497
Debt Service	6,265,778	-	6,265,778
Net Revenue	6,487,622	8,685,573	7,573,719
In-lieu Transfer to General Fund	6,779,000	3,389,500	6,779,000
Other changes in working capital	-	4,479,479	-
Net Increase (Decrease) in Working Capital	(291,378)	816,594	794,719
Beginning Cash Balance	3,631,402	3,631,402	3,631,402
Changes in GOR	365,185	845,702	1,145,702
Ending Cash Balance	3,705,209	5,293,698	5,571,823



Rate Comparison

Projected 2007 Class Average Rates - cents/kWh				
Utility	Residential	Commercial	Industrial	System
LODI	16.7	15.0	10.3	14.2
PG&E	17.4	16.6	13.7	15.8
% Lodi lower than PG&E	3.9%	9.8%	24.6%	9.7%



Discount Programs



Lodi Electric Utility Discount Programs

Program	What is it?	How Administered	No. of Customers
Medical Rider	<u>25%</u> discount for qualified applicants. Applicant must have medical condition requiring extra electricity or space conditioning. Does not exclusively state medical conditions.	First application is certified by Doctor. Every two years a self-certification is sent to customer. EUD processes these applications.	431
SHARE	<u>30%</u> income based discount for qualified applicants. Maximum household income beginning at \$22,000 for 1 to 2 persons.	Applications certifying income are processed by the Finance Department. Income is certified, by Finance.	1,842
Medical/SHARE	<u>35%</u> for those who qualify for both SHARE and Medical Rider.	Follows above certification process.	176
Fixed Income	<u>5%</u> for those over 62 years of age and fixed income below \$45,000.	Applicants are certified by the Finance Department.	113
	Total Customers using Discount Programs		2,562

As of February, 2007



Projected Discounts (FY07)

Customer Class	Amount Subject to Discount	Amount of Discount Given	Amount Due	Discount
Fixed Income	\$ 100,176	\$ (5,009)	\$ 95,167	5%
Medical	\$ 949,835	\$ (237,465)	\$ 712,370	25%
Share	\$ 2,051,591	\$ (615,488)	\$ 1,436,103	30%
Medical/Share	\$ 245,885	\$ (86,060)	\$ 159,824	35%
Total	\$ 3,347,487	\$ (944,022)	\$ 2,403,465	28%

Note: Actual through December, 2006 and projected thereafter



Neighboring Agency Discount Programs

Agency/Program	Discount	Lodi
	Medical	
Roseville	50% discount on first 500 kWh and 15% on all other kWh usage. Must meet income (limits are higher than those for low income program) and qualifying device criteria.	25
SMUD	30% discount of service charge, 35% discount of energy charges for Tier 1 quantities and 30% discount Tier II & III.	25
PG&E	Additional baseline quantity 500 kWh per month	25
Modesto	50% discount on first 500 kWh	
	Low Income	
Roseville	15% discount	30
SMUD	30% discount of service charge, 35% discount of energy charges for Tier 1 quantities and 30% discount Tier II & III	30
PG&E	20% discount.	30
Modesto	22.1% discount plus \$7.50 reduction in customer charge	30
	Medical/Low Income	
SMUD	50% discount of service charge, 55% discount of energy charges for Tier 1 quantities and 30% discount Tier II & III.	35
	Senior Discount	
Roseville	25% discount on water and sewer, and 20% on refuse.	5



Summary

- EUD had an excellent 1st half of FY07
- Power Costs declined ~\$760K
- Non-power Costs decreased ~\$1.1 million
- Revenues up about \$500K
- NCPA “GOR” up \$845K
- Overall increase in cash is about \$1.6M
- Average rates about 10% below PG&E
- FY07 power costs remain substantially hedged



Water and Wastewater

FY07 Quarterly Update

(Through December 31, 2006)

City Council Meeting
March 21, 2007



Summary

- Wastewater and Water had a good 1st half of FY07
- Wastewater cash balance is \$3.7 million
- Wastewater Fund Revenues on target at 48.9 % of estimated
- Wastewater Fund Operating expenses are 41.7% of budget
- Water Fund Cash balance is \$.8 million
- Water Fund Revenues are on target at 50.4% of estimated
- Water Fund Operating expenses are 38.2% of budget



Wastewater Financials

Ending 12/31/06

Revenue	FY Budget	Actuals	% of Budget
Sales Revenues	\$8,016,500	\$4,070,362	50.8%
Other Revenues	484,400	366,584	75.7%
Impact Mitigation Fees	1,607,000	505,843	31.5%
Total Revenues	\$10,107,900	\$4,942,789	48.9%
Expenses			
Operating	\$5,063,121	\$2,110,462	41.7%
Non-Operating	908,793	454,632	50.0%
Capital Outlay (From Revenues)	298,500		0.0%
Total Expenses	\$6,270,414	\$2,565,094	40.9%
Net Revenue for Debt Service	\$3,837,486	\$2,377,695	62.0%
Debt Service	3,339,110	1,730,919	51.8%
Net Revenue	\$498,376	\$646,776	129.8%
Less In-lieu Transfer to General Fund	892,500	446,250	50.0%
Net Increase (Decrease) in Cash	(\$394,124)	\$200,526	-50.9%
Beginning Cash Balance	2,956,954	4,251,700	143.8%
Other Changes in Cash	(1,010,000)	(760,023)	
Ending Cash Balance	\$1,552,830	\$3,692,203	237.8%
Debt Proceeds Reserve		\$13,869,759	



Wastewater Operating Expenses by Series

	FY07 Budget	FY07 Q2	% of Budget
Personnel	\$ 2,468,321	\$ 1,115,253	45.2%
Supplies, Materials, Services	877,254	395,943	45.1%
Equipment, Land, Structures	102,675	41,449	40.4%
Other Payments	795,313	253,861	31.9%
Communication & Transportation	819,558	303,956	37.1%
Total Operating Expenses	\$ 5,063,121	\$ 2,110,462	41.7%



Water Financials

Ending 12/31/06

Revenue	FY Budget	Actuals	% of Budget
Sales Revenues	\$9,707,100	\$5,148,747	53.0%
Other Revenues	399,900	20,336	5.1%
Impact Mitigation Fees	234,000	41,044	17.5%
Total Revenues	\$10,341,000	\$5,210,127	50.4%
Expenses			
Operating	\$4,468,583	\$1,707,456	38.2%
Non-Operating	909,259	454,630	50.0%
Capital Outlay (From Revenues)	6,926,748	2,050,161	29.6%
Total Expenses	\$12,304,590	\$4,212,247	34.2%
Net Revenue for Debt Service	(\$1,963,590)	\$997,880	-50.8%
Debt Service	227,976	17,754	7.8%
Net Revenue	(\$2,191,566)	\$980,126	
In-lieu Transfer to General Fund	767,040	383,520	50.0%
Net Increase (Decrease) in Cash	(\$2,958,606)	\$596,606	-20.2%
Beginning Cash Balance	829,000	87,136	10.5%
Other Changes in Cash	2,908,617	92,603	
Ending Cash Balance	\$779,001	\$776,345	
Central Plume Trust Account	\$6,056,155	\$8,607,642	



Water Expenses by Series

	FY07 Budget	FY07 Q2	% of Budget
Personnel	\$ 1,211,337	\$ 509,528	42.1%
Supplies, Materials, Services	621,811	146,126	23.5%
Equipment, Land, Structures	3,851	176	4.6%
Other Payments	1,751,844	672,841	38.4%
Communication & Transportation	879,740	378,785	43.1%
Total Operating Expenses	\$ 4,468,583	\$ 1,707,456	38.2%